

**Hayes Township
Clare County**

**Annual Financial Statements
and
Auditors' Report
June 30, 2008**

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Hayes Township
List of Elected and Appointed Officials
June 30, 2008

Township Board

John Scherrer	Supervisor
Kevin Breese	Clerk
Elizabeth Wilson	Treasurer
Robert Hale	Trustee
Lee Dancer	Trustee



6018 Eastman Avenue
Midland, MI 48640
Phone (989) 631-6060 / (800) 701-3574
Fax (989) 631-4288

Independent Auditors' Report

Township Board
Hayes Township
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund of Hayes Township and the aggregate remaining fund information as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Hayes Township as of June 30, 2008 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hayes Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The budgetary comparison information identified in the table of contents is not a required part of the basic financial statements but is supplementary information required by the accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.

October 28, 2008
Midland, Michigan

Hayes Township
Statement of Net Assets
June 30, 2008

Assets

Cash	\$ 385,937
Receivables	
Customers	16,357
Special assessments	63,796
Due from other units of government	53,661
Prepaid items	11,646
Capital assets not being depreciated	123,000
Capital assets - net of accumulated depreciation	<u>829,845</u>
 Total assets	 <u>1,484,242</u>

Liabilities

Accounts payable	17,893
Accrued and other liabilities	5,648
Noncurrent liabilities	
Due within one year	12,916
Due in more than one year	<u>37,464</u>
 Total liabilities	 <u>73,921</u>

Net Assets

Invested in capital assets, net of related debt	
Restricted for:	
Debt service	62,873
Unrestricted	<u>1,347,448</u>
 Total net assets	 <u>\$ 1,410,321</u>

Hayes Township
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government	\$ 336,556	\$ 45,470	\$ -	\$ -	\$ (291,086)
Public safety	110,952	-	-	-	(110,952)
Public works	448,231	341,477	-	-	(106,754)
Community and economic development	12,937	65,798	-	-	52,861
Recreation and culture	55,157	-	-	-	(55,157)
Interest on long-term debt	2,099	-	-	-	(2,099)
Total governmental activities	<u>\$ 965,932</u>	<u>\$ 452,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(513,187)</u>
General revenues					
Property taxes					204,467
State shared revenue					358,512
Unrestricted investment earnings					11,796
Miscellaneous					<u>22,029</u>
Total general revenues and transfers					<u>596,804</u>
Change in net assets					<u>83,617</u>
Net assets - beginning of year					1,271,082
Prior period adjustment					<u>55,622</u>
Net assets - beginning of year (restated)					<u>1,326,704</u>
Net assets - end of year					<u>\$ 1,410,321</u>

See Accompanying Notes to Financial Statements

**Hayes Township
Governmental Funds
Balance Sheet
June 30, 2008**

		Special Revenue Funds			Total Governmental Funds
	General	Municipal Street	Rubbish	Gypsy Moth	
Assets					
Cash and cash equivalents	\$ 81,319	\$ 288,748	\$ -	\$ 15,870	\$ 385,937
Receivables					
Customers	16,357	-	-	-	16,357
Special assessments	63,796	-	-	-	63,796
Due from other units of government	53,661	-	-	-	53,661
Prepaid items	11,646	-	-	-	11,646
Total assets	<u>\$ 226,779</u>	<u>\$ 288,748</u>	<u>\$ -</u>	<u>\$ 15,870</u>	<u>\$ 531,397</u>
Liabilities					
Accounts payable	\$ 17,893	\$ -	\$ -	\$ -	\$ 17,893
Accrued and other liabilities	3,549	-	-	-	3,549
Deferred revenue	63,796	-	-	-	63,796
Total liabilities	<u>85,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,238</u>
Fund Balances					
Reserved for:					
Debt service	\$ 62,873	\$ -	\$ -	\$ -	\$ 62,873
Prepaid items	11,646	-	-	-	11,646
Unreserved, reported in:					
General fund	67,022	-	-	-	67,022
Special revenue funds	-	288,748	-	15,870	304,618
Total fund balances	<u>141,541</u>	<u>288,748</u>	<u>-</u>	<u>15,870</u>	<u>446,159</u>
Total liabilities and fund balances	<u>\$ 226,779</u>	<u>\$ 288,748</u>	<u>\$ -</u>	<u>\$ 15,870</u>	<u>\$ 531,397</u>

Hayes Township
Governmental Funds
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Assets
June 30, 2008

Total fund balances for governmental funds	\$ 446,159
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	123,000
Capital assets - net of accumulated depreciation	829,845
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	63,796
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(2,099)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(50,380)</u>
Net assets of governmental activities	<u><u>\$ 1,410,321</u></u>

Hayes Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

		Special Revenue Funds			Total
	General	Municipal Street	Rubbish	Gypsy Moth	Governmental Funds
Revenues					
Taxes	\$ 126,568	\$ 77,899	\$ -	\$ -	\$ 204,467
Licenses and permits	2,225	-	-	-	2,225
State revenue sharing	358,512	-	-	-	358,512
Charges for services	42,814	-	305,271	431	348,516
Interest income	11,796	-	-	-	11,796
Rental income	65,798	-	-	-	65,798
Other revenue	22,029	-	-	-	22,029
Total revenues	629,742	77,899	305,271	431	1,013,343
Expenditures					
Current					
General government	274,460	4,158	-	-	278,618
Public safety	110,952	-	-	-	110,952
Public works	98,499	-	349,141	-	447,640
Community and economic development	12,550	-	-	-	12,550
Recreation and culture	53,672	-	-	-	53,672
Other functions	57,716	-	-	-	57,716
Debt service					
Principal retirement	5,500	-	-	-	5,500
Total expenditures	613,349	4,158	349,141	-	966,648
Excess (deficiency) of revenues over expenditures	16,393	73,741	(43,870)	431	46,695

See Accompanying Notes to Financial Statements

Hayes Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	Special Revenue Funds				Total Governmental Funds
	General	Municipal Street	Rubbish	Gypsy Moth	
Other financing sources (uses)					
Transfers in	-	-	43,870	-	43,870
Transfers out	(43,870)	-	-	-	(43,870)
Issuance of debt	46,200	-	-	-	46,200
Total other financing sources and uses	2,330	-	43,870	-	46,200
Net change in fund balance	18,723	73,741	-	431	92,895
Fund balance - beginning of year	67,196	215,007	-	15,439	297,642
Prior period adjustment	55,622	-	-	-	55,622
Fund balance - beginning of year restated	122,818	215,007	-	15,439	353,264
Fund balance - end of year	<u>\$ 141,541</u>	<u>\$ 288,748</u>	<u>\$ -</u>	<u>\$ 15,870</u>	<u>\$ 446,159</u>

Hayes Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - Total governmental funds	\$ 92,895
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(2,685)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Special assessments	36,206
Expenses are recorded when incurred in the statement of activities	
Accrued interest	(2,099)
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	
Debt issued	(46,200)
Repayments of long-term debt	<u>5,500</u>
Change in net assets of governmental activities	<u>\$ 83,617</u>

Hayes Township
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2008

	Current Tax Collection	Lake Improvement Fund
Assets		
Cash and cash equivalents	\$ -	\$ 51,066
Liabilities		
Due to Sutherland Lake Association	\$ -	\$ 16,818
Due to Little Long Lake Association	-	12,378
Due to Cranberry Lake Association	-	21,870
	<u>-</u>	<u>21,870</u>
 Total liabilities	 <u>\$ -</u>	 <u>\$ 51,066</u>

Hayes Township

Notes to Financial Statements

June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hayes Township is a regular law Michigan Township with a population in excess of 4,000 people. The accounting policies of the Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

Reporting entity

Hayes Township is governed by an elected five-member Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate component units of the Township. The Township has no component units.

Government-wide and fund financial statements

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses of a given function or segment are offset by

program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenue are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are

Hayes Township
Notes to Financial Statements
June 30, 2008

recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the State at year end on behalf of the government also are recognized as revenue. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Municipal Street Fund is a Special Revenue Fund that receives an extra voted millage and is used to account for street projects for which the Township shares a portion of the costs.

The Rubbish Fund is a Special Revenue Fund that receives special assessments used to pay for trash removal activities.

The Gypsy Moth Fund is a Special Revenue Fund that receives an extra voted millage and is used to account for the spraying for gypsy moths.

Additionally, the government reports the following:

Agency Funds are used to account for assets held by the Township acting as an agent for individuals, private organizations, other governments, or funds. These funds are custodial in nature and do not involve measurement of the results of operation.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Property tax revenue

Property taxes are attached as an enforceable lien on property as of December 1 and are due without penalty on or before February 28. These tax bills include the Township's own property taxes and taxes billed on behalf of the County and the school district within the Township limits. Real property taxes not collected as of March 1 are turned over to Clare County for collection, which advances the Township 100% of the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

The Township acts as a collection agent for Clare County, Harrison Community Schools, Mid Michigan Community College and the Clare Gladwin Regional Education Service District's property taxes.

Taxes collected on behalf of the school districts and Clare County are turned over to the districts and the County immediately following collection and are accounted for in designated tax collection funds.

The 2007 taxable value of the government totaled \$103,318,772. The tax levy for that year was based on the following rates:

	Millage Rate Used	Authorized Millage Rate Per Township
General operating	0.7510	0.7510
Municipal street	0.7510	0.7510

Hayes Township

Notes to Financial Statements

June 30, 2008

Assets, liabilities, and net assets or equity

Cash and cash equivalents – The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired. Additionally, each fund's equity in the Township's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. Shared pooled investment income is allocated to each fund based on its percentage of the balance in the pool.

Receivables and payable – In general, outstanding balances between funds are reported as "due to/from other fund." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets, which include buildings and improvements, land improvements, furniture and equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

All capital assets are depreciated using the straight-line method over the following useful lives.

Buildings	50 years
Equipment and vehicles	5 years
Land improvements	20 to 40 years

Long-term obligations – Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources when received and payment of principal and interest are reported as expenditures when paid.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Comparative data

Comparative data is not included in the government's financial statements.

Hayes Township

Notes to Financial Statements

June 30, 2008

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis of accounting described in Note 1 for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of expenditures over appropriations

During the year, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Cemetery	\$ 12,436	\$ 12,509	\$ 73
Highways, streets and bridges	65,311	97,352	32,041
Street lighting	1,100	1,147	47

NOTE 3 - DEPOSITS

At year end the government's deposits were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents
Governmental activities	\$ 385,937
Fiduciary funds	51,066
Total	<u>\$ 437,003</u>

The breakdown between deposits is as follows:

	Primary Government	Fiduciary Funds
Bank deposits (checking and savings accounts and money markets)	\$ 385,687	\$ 50,866
Petty cash and cash on hand	250	200
	<u>\$ 385,937</u>	<u>\$ 51,066</u>

Interest rate risk – The Township does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit Risk - Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligation of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated

Hayes Township

Notes to Financial Statements

June 30, 2008

within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the Board authorized all of the investments allowable under Michigan law.

Concentration of credit risk – The Township has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$374,411 of the Township's bank balance of \$474,411 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

The only receivables not expected to be collected within one year are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Primary government		
Special assessments	<u>\$ 63,796</u>	<u>\$ -</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

<u>Primary government</u>	<u>Due After One Year</u>	<u>Fund</u>
Road assessments	<u>\$ 63,796</u>	General Fund

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 123,000	\$ -	\$ -	\$ 123,000
Capital assets being depreciated				
Land improvements	640,000	-	-	640,000
Buildings, additions and improvements	471,500	-	-	471,500
Equipment and vehicles	61,700	-	-	61,700
Total capital assets being depreciated	1,173,200	-	-	1,173,200
Less accumulated depreciation for				
Land improvements	(84,550)	(1,346)	-	(85,896)
Buildings, additions and improvements	(204,820)	(786)	-	(205,606)
Equipment and vehicles	(51,300)	(553)	-	(51,853)
Total accumulated depreciation	(340,670)	(2,685)	-	(343,355)
Net capital assets being depreciated	832,530	(2,685)	-	829,845
Governmental activities capital assets, net	<u>\$ 955,530</u>	<u>\$ (2,685)</u>	<u>\$ -</u>	<u>\$ 952,845</u>

Hayes Township
Notes to Financial Statements
June 30, 2008

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 222
Public works	591
Community and economic development	387
Recreation and culture	<u>1,485</u>
Total governmental activities	<u><u>\$ 2,685</u></u>

NOTE 6 - INTERFUND TRANSFERS

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	Rubbish fund	<u><u>\$ 43,870</u></u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 7 - LEASES

The government leases a mailing machine under a non-cancelable operating lease. Total costs for this lease was \$1,203 for the year ending June 30, 2008. The future minimum lease payments for this lease are as follows:

<u>Year ending December 31,</u>	
2009	<u><u>\$ 2,052</u></u>

Hayes Township
Notes to Financial Statements
June 30, 2008

NOTE 8 - LONG-TERM DEBT

The following is a summary of long-term debt entered into on behalf of the Oakleaf Subdivision Road Improvements and Lapham Drive Subdivision Road Improvements. Debt service is financed by a special assessment levied against property owners within the special assessment district. Revenues from special assessment and expenditures to pay bond principal and interest are reported in General Fund.

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Special assessment obligations									
Oakleaf Subdivision Road Improvements	\$ 78,484	2008	5.00%	\$9,680	\$ 9,680	\$ -	\$ -	\$ 9,680	\$ 9,680
Lapham Drive Road Improvements	46,200	2017	5.00%	\$3,236 - \$5,020	-	46,200	5,500	40,700	3,236
					<u>\$ 9,680</u>	<u>\$ 46,200</u>	<u>\$ 5,500</u>	<u>\$ 50,380</u>	<u>\$ 12,916</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2009	\$ 12,916	\$ 2,519	\$ 15,435
2010	3,398	1,873	5,271
2011	3,567	1,703	5,270
2012	3,746	1,526	5,272
2013	3,933	1,338	5,271
2014 - 2018	<u>22,820</u>	<u>3,534</u>	<u>26,354</u>
	<u>\$ 50,380</u>	<u>\$ 12,493</u>	<u>\$ 62,873</u>

NOTE 9 – RESERVED FUND BALANCE

The fund balance in the General Fund has been reserved for the amounts collected on Special Assessments which are for future payments of the assessment payable to the County. The amount available for this debt at June 30, 2008 was \$62,873 .

NOTE 10 – AGENCY FUND TYPE – LAKE IMPROVEMENT FUND

The property tax levies beginning in December 1985 included special assessments levied against the benefited taxpayers for the purpose of making improvements to various area lakes. The improvements are being made by the lake associations. The Township is acting as custodian for the special assessment monies (transferred from the Current Property Tax Collections Fund to the Lake Improvement Fund) until such time as they are spent by the associations.

Hayes Township
Notes to Financial Statements
June 30, 2008

NOTE 11 -RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Township participates in a defined contribution retirement plan administered by Manufacturer's Life Insurance Company. Elected officials and full-time employees are eligible (after three months of employment) for participation in the Township's Pension Investment Plan. The amount of contributions is equal to 15% of the gross annual salary of each official or employee. The contributions amounted to \$26,718 for the year ended June 30, 2008. Payment to the plan represents the only liability of the Township.

NOTE 13 - CONTINGENT LIABILITIES

Amounts received from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

NOTE 14 – RELATED PARTY TRANSACTIONS

The Township entered into a transaction totaling \$35,244 with MVW & Associates, Inc. during the year ended June 30, 2008. The owner and operator of MVW & Associates is the father of the Deputy

Supervisor of the Township.

NOTE 15 - PRIOR PERIOD ADJUSTMENT

Effective July 1, 2007 the Township changed its method of accounting from the cash basis to the accrual basis method and, as of that date recognizes all revenues when earned rather than when cash is received and recognizes all expenses when they are incurred rather than when cash is disbursed. The effect of the change at July 1, 2007, in the amount of \$55,622 has been recorded in the accompanying financial statements.

Fund balance at June 30, 2007	\$ 67,196
Adjustments to accrual basis:	
State shared revenue receivable	54,237
Accounts payable	(18,162)
Prepaid expenses	12,100
Accrued salaries	(4,711)
Accounts receivable	<u>12,158</u>
Prior period adjustment	55,622
Fund balance at June 30, 2007 - restated	<u><u>\$ 122,818</u></u>

Hayes Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes				
Property taxes	\$ 92,915	\$ 92,553	\$ 92,514	\$ (39)
Other taxes	610	610	597	(13)
Administration fee	34,000	33,449	33,457	8
Licenses and permits	2,200	2,500	2,225	(275)
State revenue sharing	350,000	359,088	358,512	(576)
Local contributions	1,100	-	-	-
Charges for services	20,665	43,399	42,814	(585)
Interest income	12,000	9,000	11,796	2,796
Rental income	80,144	61,222	65,798	4,576
Other revenue	7,250	22,528	22,029	(499)
Bond/note proceeds	-	-	46,200	46,200
Total revenues	<u>600,884</u>	<u>624,349</u>	<u>675,942</u>	<u>51,593</u>
Expenditures				
General government				
Township board	25,681	22,281	21,506	(775)
Supervisor	31,649	30,849	30,173	(676)
Accounting	500	500	-	(500)
Clerk	53,720	55,603	49,083	(6,520)
Audit	5,500	5,500	5,500	-
Board of review	900	750	671	(79)
Treasurer	70,685	82,559	76,076	(6,483)
Assessor	44,650	53,472	51,615	(1,857)
Elections	6,300	2,848	2,702	(146)
Buildings and grounds	22,300	23,362	21,228	(2,134)

Hayes Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Attorney	4,000	4,000	3,397	(603)
Cemetery	9,000	12,436	12,509	73
Total general government	274,885	294,160	274,460	(19,700)
Public safety				
Police	43,500	43,500	38,829	(4,671)
Fire department	65,000	68,190	68,190	-
Civil defense	5,000	5,000	3,933	(1,067)
Total public safety	113,500	116,690	110,952	(5,738)
Public works				
Highways, streets and bridges	48,000	65,311	97,352	32,041
Street lighting	1,100	1,100	1,147	47
Total public works	49,100	66,411	98,499	32,088
Community and economic development				
Planning	2,400	2,200	1,742	(458)
Zoning	10,200	12,700	10,808	(1,892)
Total community and economic development	12,600	14,900	12,550	(2,350)
Recreation and culture				
Parks and recreation	9,850	10,210	6,883	(3,327)
Library	25,000	25,000	24,580	(420)
Civic center	38,700	24,250	22,209	(2,041)
Total recreation and culture	73,550	59,460	53,672	(5,788)

Hayes Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Other functions				
Insurance and bonds	18,000	18,000	16,743	(1,257)
Unallocated employee fringe benefits	46,800	44,100	40,973	(3,127)
Total other functions	64,800	62,100	57,716	(4,384)
Debt service				
Principal retirement	-	5,500	5,500	-
Transfers out	50,000	43,870	43,870	-
Total expenditures	638,435	663,091	657,219	(5,872)
Net change in fund balance	(37,551)	(38,742)	18,723	57,465
Fund balance - beginning of year	67,196	67,196	67,196	-
Prior period adjustment	55,622	55,622	55,622	-
Fund balance - beginning of year (restated)	122,818	122,818	122,818	-
Fund balance - end of year	<u>\$ 85,267</u>	<u>\$ 84,076</u>	<u>\$ 141,541</u>	<u>\$ 57,465</u>

Hayes Township
Required Supplemental Information
Budgetary Comparison Schedule
Municipal Street Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues	\$ -	\$ 77,800	\$ 77,899	\$ 99
Expenditures	<u>6,000</u>	<u>4,158</u>	<u>4,158</u>	<u>-</u>
Net change in fund balance	(6,000)	73,642	73,741	99
Fund balance - beginning of year	<u>215,007</u>	<u>215,007</u>	<u>215,007</u>	<u>-</u>
Fund balance - end of year	<u>\$ 209,007</u>	<u>\$ 288,649</u>	<u>\$ 288,748</u>	<u>\$ 99</u>

Hayes Township
Required Supplemental Information
Budgetary Comparison Schedule
Rubbish Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues	\$ 347,000	\$ 349,141	\$ 349,141	\$ -
Expenditures	<u>346,000</u>	<u>349,729</u>	<u>349,141</u>	<u>(588)</u>
Net change in fund balance	1,000	(588)	-	588
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,000</u>	<u>\$ (588)</u>	<u>\$ -</u>	<u>\$ 588</u>

Hayes Township
Required Supplemental Information
Budgetary Comparison Schedule
Gypsy Moth Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues	\$ -	\$ -	\$ 431	\$ 431
Expenditures	-	-	-	-
Net change in fund balance	-	-	431	431
Fund balance - beginning of year	15,439	15,439	15,439	-
Fund balance - end of year	<u>\$ 15,439</u>	<u>\$ 15,439</u>	<u>\$ 15,870</u>	<u>\$ 431</u>



6018 Eastman Avenue
Midland, MI 48640
(989) 631-6060 / (800) 701-3574
Fax (989) 631-4288

October 28, 2008

To Township Board
Hayes Township
Clare County, Michigan

We have completed our audit of the financial statements of Hayes Township as of and for the year ended June 30, 2008 and have issued our report dated October 28, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

II Management Comments

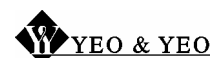
We discussed these matters with various personnel in the organization during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Township Board, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

Yeo & Yeo, P.C.

Midland, Michigan
October 28, 2008



Appendix 1

Auditors' Communication of Significant Matters with Those Charged with Governance

Responsibilities under generally accepted auditing standards

As stated in our engagement letter dated September 26, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected. We are not aware of any particular sensitive estimates made by Hayes Township.
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

Difficulties Encountered During the Audit

No difficulties were encountered during the audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

Appendix 2 Management Comment

In planning and performing our audit of the financial statements of Hayes Township as of and for the year ended June 30, 2008, we considered Hayes Township internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report date October 28, 2008, on the financial statements of Hayes Township. Our comments and recommendations regarding those matters are:

STORE CHARGE ACCOUNTS

During our review of procedures for Hayes Township, we have noticed that the Township has not formally adopted a formal store charge accounts policy.

Recommendation

We recommend that the Township adopts a formal store charge accounts policy and reviews it with all employees. This policy should be reinforced for any future purchases made to store accounts.

CONFLICT OF INTEREST POLICY

During our review of procedures for Hayes Township, we have noticed that the Township has not formally adopted a Conflict of Interest Policy.

Recommendation

We recommend the Township adopts a "Conflict of Interest Policy" that specifies that personnel in a position of trust are not related to each other; employees are prohibited from having business dealings with companies affiliated with, or acting as major customers or suppliers of the Township; transactions with Board members are adequately controlled and disclosed in the records; and such transactions only occur in the normal course of business and are legally authorized.